

Federal Military Tax Situations and Instructions for TY2024

Taking the Military Certification Test

- 15 Questions – 80% passing – be careful when taking the first time
- Several Test scenarios are not experienced frequently in reality
- Test training sources:
 - IRS Pub 3 - Armed Forces Tax Guide
 - IRS Pub 4491 VITA/TCE Guide for 2024 Returns - 4 lessons
 - Lesson 12 - Schedules K-1 and Rental
 - Lesson 16 - Military Income
 - Lesson 18 - Military Adjustments to Income
 - Lesson 32 - Military Finishing and Filing the Return

Four Unique Military Tax Situations:

1. Combat Pay – Reported in W-2, Block 12a, Code Q

- Combat pay is excluded from taxable wages. It includes several pay categories - base pay, hostile fire pay, reenlistment bonus, accrued leave, and several other pay and allowances.
- W-2 Block 12a entry made in Taxslayer–Similar to codes D and DD no other actions required
- Nontaxable Combat pay can be used to increase earned income credit – Taxslayer calculates.

2. Form 2106 Employee Business Expenses - Reservist Travel

- Reservist Travel must be greater than 100 miles (one way) from home (e.g. for monthly drills)
- Client should have detailed records
- Financial Profit from travel is included as additional wages on Form 1040. Financial loss is reported on 1040 Schedule 1 as an Adjustment to income.
- Information on Government Reimbursement is reported on W-2, Block 12, Code L
- Reimbursement is 67 cents per mile for travel to/from duty station for 2024.
- Reasonable lodging, meals (50%) and incidental expenses (per diem) are reimbursable
- Incidental expenses (tips) can be deducted, but not uniform purchase and upkeep

3. Form 3903 - Moving Expenses (Household Goods and Personal Effects and Travel)-

- Normally the military arranges, manages, and pays for all moving expenses associated with a base/post transfer, called a Permanent Change of Station (PCS) – This tax situation only applies to a do-it-yourself move, also called a Personally Procured Move.
- Client should have detailed records
- Financial Profit from the move is included as additional wages on Form 1040. Financial loss is reported on 1040 Schedule 1 as an Adjustment to income.
- Information on Government Reimbursement is reported on W-2, Block 12, Code P
- Auto reimbursement is 21 cents a mile for 2024, plus parking and tolls via shortest, most direct route
- Spouse/dependent move from separate location is not deductible
- Side trips, stopovers, and pre-move house hunting trip costs are not deductible
- Cost of shipping car and household pets are deductible
- Packing/crating supplies, truck rental, parking in-transit, 30 days storage, and insurance costs are deductible
- Meal cost is not deductible; Lodging (per diem) for authorized travel days is deductible

4. Residential Rental of Home- Schedule E – Supplemental Income and Losses

- Simple rentals only, complicated rentals are out of scope
- Rentals are only for the personal residence of active-duty military, not civilian personnel which are out of scope
- Additional rental income is reported on 1040 Schedule 1.
- Rental losses are in scope and common due to depreciation expense.
- Income and Expenses are very similar to Schedule C Business Income
- Rental expenses include mortgage interest, property taxes, insurance, management fees, depreciation expense, supplies and repair costs, but not value of owner's labor
- Depreciation expense is calculated by the taxpayer and consistent with prior year returns – all depreciation forms (Form 8582, 4562, 6198) are out of scope.
- Commercial Business rentals are out of scope – no Qualified Business Income deduction
- There are other out of scope Items consistent with Tax Aide restrictions

Other Military Tax Related Items

- Veterans Administration Disability Payments have no tax consequences – no tax forms are issued, there are no Federal or State tax liabilities
- combat zone or contingency operation filing deadline extensions – are permitted for 180 days after the last day in a combat zone/contingency operation, plus days left available in tax filing period (e.g. 3 1/2 months -Jan 1- April 15) if combat zone/contingency operation duty began before or during the tax filing period.